

## Message Text

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ORIGIN EB-11

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R 211521 Z JUN 73

FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST

CONFIDENTIAL STATE 121088

CORRECTED COPY (OMMISION LINE 9, PARA 3)

E. O. 11652: GDS

TAGS: EFIN

SUBJECT: BOND NEGOTIATIONS

1. RAYMOND LISLE, VICE- PRESIDENT OF THE FOREIGN BONDHOLDERS PROTECTIVE COUNCIL ( FBPC), HAS REPORTED TO THE DEPARTMENT THAT THE COUNCIL HAS RECEIVED NO RESPONSE FROM GOH TO ITS SETTLEMENT PROPOSAL CONTAINED IN LETTER OF MARCH 12, 1973 FROM GEORGE WOODS TO LASZLO AKAR OF THE MINISTRY OF FINANCE.

2. THE FBPC IS DISAPPOINTED AT THIS LACK OF RESPONSE SINCE THE OUTLINE WAS DISCUSSED IN DECEMBER 1972 BY AKAR AND WOODS. WOODS BELIEVED THAT AKAR AGREED IN PRINCIPLE TO THIS PROPOSAL. THE FBPC HAD ANTICIPATED THAT, IN LIGHT OF THESE TALKS, THE MINISTRY OF FINANCE WOULD BE IN A POSITION TO RESPOND PROMPTLY TO A SETTLEMENT PROPOSAL OF THE COUNCIL.

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3. THE EMBASSY IS REQUESTED TO APPROACH THE MINISTRY OF FINANCE ( AKAR) AND ASK HIM WHEN THE FBPC CAN EXPECT A REPLY TO ITS LETTER OF MARCH 12. THE EMBASSY SHOULD INFORM AKAR THAT THE U. S. G. REGARDS SETTLEMENT OF DEFAULTED BONDS AS AN ESSENTIAL INGREDIENT IN THE NORMALIZATION OF FINANCIAL RELATIONS BETWEEN OUR TWO COUNTRIES AND A LEGAL OBLIGATION OF THE GOH UNDER THE PROVISION OF ANNEX E TO THE CLAIMS AGREEMENT WHICH WAS SIGNED ON MARCH 6. IT WOULD ALSO BE HELPFUL TO HAVE SUCH A SETTLEMENT EITHER IN HAND OR READY FOR IMPLEMENTATION BY THE TIME WE ENTER NEGOTIATIONS TOWARD A BILATERAL TRADE AGREEMENT.

4. BEGIN FYI: THE FBPC REALIZES THAT GOH IS UNLIKELY TO ACTUALLY IMPLEMENT A SETTLEMENT OF DEFAULTED BONDS UNTIL HUNGARY IS GRANTED MFN, AS AKAR TOLD WOODS IN DECEMBER. HOWEVER, THE COUNCIL IS ANXIOUS TO PROGRESS IN ITS NEGOTIATIONS WITH THE GOH. FOR OUR PART, WE WILL NOT BE WILLING TO EXTEND EXIM FINANCING OR GRANT MFN TO HUNGARY UNTIL A BOND SETTLEMENT, OR INTERIM SETTLEMENT, IS CONCLUDED. END FYI  
ROGERS

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NNNNMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* CONFIDENTIAL

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